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**SCHEDULE H  
(Form 1120)**

Department of the Treasury  
Internal Revenue Service

**Section 280H Limitations for a Personal Service  
Corporation (PSC)**

► **Attach to PSC's income tax return if Part II is completed.**

OMB No. 1545-0123

**2004**

Name

Employer identification number

**Note:** A newly organized PSC is considered to have met the section 280H distribution requirements for the first year of its existence and does not have to complete Schedule H. If, during the tax year, an existing corporation becomes a PSC and makes a section 444 election, the corporation is treated as if it were a PSC for the 3 preceding tax years. See Temporary Regulations section 1.280H-1T(e) for details.

**Part I Minimum Distribution Requirement** (see instructions)

1	Enter applicable amounts from preceding tax year . . . . .	1		
2	Divide number of months in deferral period of preceding tax year by number of months in preceding tax year. Enter the result as a percentage . . . . .	2		%
3	<b>Amount figured under preceding year test.</b> Multiply line 1 by the percentage on line 2 . . . . .	3		
4	Enter applicable amounts from the deferral period of the applicable election year . . . . . If line 4 is less than line 3, go to line 5. Otherwise, <b>stop here.</b> The PSC has met the minimum distribution requirement. <b>Do not</b> attach Schedule H to the PSC's income tax return. Keep Schedule H with the PSC's tax records.	4		
5	Enter applicable amounts from the:			
a	1st tax year before applicable election year . . . . .	5a		
b	2nd tax year before applicable election year . . . . .	5b		
c	3rd tax year before applicable election year . . . . .	5c		
6	<b>Total.</b> Add lines 5a through 5c . . . . .	6		
7	Enter adjusted taxable income for the:			
a	1st tax year before applicable election year . . . . .	7a		
b	2nd tax year before applicable election year . . . . .	7b		
c	3rd tax year before applicable election year . . . . .	7c		
8	<b>Total.</b> Add lines 7a through 7c . . . . .	8		
9	Divide line 6 by line 8 . . . . .	9		%
10	Enter the percentage from line 9 or 95%, whichever is smaller . . . . .	10		%
11	Enter adjusted taxable income for the deferral period of the applicable election year . . . . .	11		
12	<b>Amount figured under 3-year average test.</b> Multiply line 11 by line 10 . . . . .	12		
13	<b>Minimum distribution requirement.</b> Enter the smaller of line 3 or line 12 . . . . . • If line 13 is <b>equal to or less</b> than line 4, <b>stop here.</b> The PSC has met the minimum distribution requirement. <b>Do not</b> complete Part II and <b>do not</b> attach Schedule H to the PSC's income tax return. Keep Schedule H with the PSC's tax records. • If line 13 is <b>more than</b> line 4, the PSC's deduction for applicable amounts is limited under section 280H. Complete Part II to figure the maximum amount the PSC can deduct.	13		

**Part II Maximum Deductible Amount** (see instructions)

14	Enter amount from line 4 . . . . .	14		
15	Enter number of months in deferral period of applicable election year . . . . .	15		
16	Divide line 14 by line 15 . . . . .	16		
17	<b>Nondeferral period.</b> Subtract the number of months in the deferral period from the number of months in the applicable tax year. Enter the result . . . . .	17		
18	Multiply line 16 by line 17 . . . . .	18		
19	<b>Maximum deductible amount.</b> Add lines 14 and 18. The PSC's deduction for applicable amounts paid or incurred to employee-owners is limited to this amount. <b>Attach Schedule H to the PSC's income tax return.</b> Any amount not allowed because of the section 280H(d) limitation is treated as paid or incurred in the PSC's succeeding tax year . . . . .	19		